CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 30, 2011

S. 1001
Alternative Fueled Vehicles Competitiveness and Energy Security Act of 2011

As ordered reported by the Senate Committee on Energy and Natural Resources on July 14, 2011

SUMMARY

S. 1001 would authorize appropriations for a variety of activities aimed at promoting the development and deployment of alternative fueled vehicles. Current law defines such vehicles as those that consume fuel other than petroleum or that use technologies that consume significantly less petroleum than conventional vehicles. The bill also would expand eligibility requirements for two existing loan programs administered by the Department of Energy (DOE) to include projects related to such vehicles.

CBO estimates that implementing S. 1001 would have a discretionary cost of $595 million over the 2012-2016 period, assuming appropriation of the necessary amounts. We also estimate that expanding DOE's loan programs would increase direct spending by $350 million over the next 10 years; therefore, pay-as-you-go procedures apply. Enacting S. 1001 would not affect revenues.

S. 1001 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1001 is shown in the following table. The costs of this legislation fall within budget function 270 (energy) and 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	2012	2013	2014	2015	2016	2012-2016
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	167	188	188	188	189	920
Estimated Outlays	48	108	131	147	161	595
CHANGES IN DIRECT SPENDING[a]						
Estimated Budget Authority	0	0	0	0	0	0
Estimated Outlays	30	50	100	100	40	320

a. CBO estimates that S. 1001 would increase direct spending by $350 million over the 2012-2021 period.

BASIS OF ESTIMATE

CBO estimates that implementing S. 1001 would have a discretionary cost of $595 million over the 2012-2016 period. We also estimate that the bill would increase direct spending by $350 million over the 2012-2021 period. For this estimate, CBO assumes that S. 1001 will be enacted near the start of fiscal year 2012 and that necessary funds will be provided each year.

Spending Subject to Appropriation

S. 1001 would specifically authorize appropriations totaling $825 million over the 2012-2016 period for DOE and the Environmental Protection Agency (EPA) to carry out a variety of activities to improve the energy efficiency of vehicles and promote the deployment of alternative fueled vehicles and infrastructure. That specified amount includes:

- $325 million for EPA to support the deployment of technologies to reduce energy consumed by heavy-duty vehicles and locomotives when idling;

- $250 million for DOE to provide technical assistance to state, local, and tribal governments to develop infrastructure, systems, and education programs related to facilities to recharge and refuel alternative fueled vehicles; and,

- $250 million for grants to institutions of higher learning and vocational training to expand programs to train individuals to work in industries related to alternative fueled vehicles.

In addition, CBO estimates that implementing other provisions of S. 1001 would require appropriations totaling $95 million over the 2012-2016 period. That amount includes $90 million for DOE to continue to administer the Advanced Technology Vehicle Manufacturing (ATVM) Loan Program and $5 million to complete various studies and reports. In total, assuming the appropriation of amounts specified and estimated to be necessary, CBO estimates that implementing S. 1001 would cost $595 million over the 2012-2016 period, with additional outlays occurring in later years. That estimate is based on historical spending patterns for activities similar to those authorized under S. 1001.

Direct Spending

S. 1001 would broaden eligibility criteria for two of DOE's existing credit programs—the ATVM program, which provides direct loans to support the cost of retrofitting facilities intended to produce energy-efficient light-duty vehicles and components for such vehicles, and the program established under title 17 of the Energy Policy Act of 2005, which provides loan guarantees for projects that involve certain types of innovative energy technologies. Broadly speaking, S. 1001 would expand both programs to allow DOE to increase credit support for projects related to alternative fueled vehicles and infrastructure. In particular, changes to the ATVM program would make it easier for manufacturers of vehicle components to qualify for loans and permit DOE to make loans to manufacturers of energy-efficient medium- and heavy-duty vehicles and transit vehicles. S. 1001 would add infrastructure to provide and distribute alternative fuels to the list of projects eligible for loan guarantees under the title 17 program.

Under current law, DOE has budget authority and specified limits on loan volumes for both programs that CBO estimates will not be fully utilized over the next 10 years. As a result, we expect that executing new loans or loan guarantees under S. 1001 would require no new budget authority or increased loan limitations over the next several years, and that DOE could meet the demand for such credit support within its existing budget authority and loan authority. Because increasing the amount of spending from that existing authority would require no further Congressional action, enacting S. 1001 would result in an increase in direct spending.

CBO cannot predict the specific types of projects likely to proceed under S. 1001, but based on information from the Energy Information Administration and industry sources about the anticipated timeframe involved in deploying alternative fueled vehicles and related infrastructure, we expect that DOE would use its existing authority to provide credit support to a few projects over the next 10 years. Taken as a whole, CBO estimates that enacting S. 1001 would increase direct spending by $350 million for those activities over the 2012-2021 period—that amount is equivalent to roughly 10 percent of the amount that DOE has obligated to date for loans to support the deployment of advanced technology vehicles.

The above estimate is driven primarily by increased spending of existing balances for the ATVM program. The Congress appropriated $7.5 billion for that program in 2009. According to DOE, as of August 2011, the agency has obligated roughly $3.5 billion to support six loans totaling $9.1 billion at an average subsidy rate of about 38 percent. Under current law, CBO expects that a significant portion of DOE's remaining $4 billion in unobligated balances will not be spent over the next 10 years. As a result, CBO estimates that S. 1001 would increase direct spending of those balances. In particular, CBO expects that easing eligibility requirements for manufacturers of vehicle components would permit DOE to proceed with pending applications for loans to support projects that would not otherwise qualify under current law. In addition, CBO expects that at least some loans would be made to manufacturers of energy-efficient medium- and heavy-duty vehicles and transit vehicles.

Finally, CBO expects that any added spending for title 17 loan guarantees to support investments in recharging and refueling infrastructure for advanced vehicles would most likely be issued toward the end of the 2012-2021 period and would be largely offset by fees paid by borrowers, resulting in an insignificant net budgetary impact.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. Those changes result from provisions of S. 1001 that would expand eligibility requirements for two existing loan programs and increase DOE's use of previously enacted authority to issue direct loans and guarantees for projects related to alternative fueled vehicles and infrastructure.

CBO Estimate of Pay-As-You-Go Effects for S. 1001 as ordered reported by the Senate Committee on Energy and Natural Resources on July 14, 2011

	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	30	50	100	100	40	10	5	5	5	5	320	350

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1001 contains no intergovernmental or private-sector mandates as defined in UMRA. The bill would authorize grants to institutions of higher education and technical assistance to state, local, and tribal governments for activities related to the deployment of alternative-fuel vehicles. Any costs to those entities would be incurred voluntarily as a condition of federal assistance.

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